



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Set Public Hearing for June 17, 2009 to Consider Adopting Resolution Adjusting Wastewater Rates

MEETING DATE: April 15, 2009

PREPARED BY: Public Works Director

RECOMMENDED ACTION: Set a Public Hearing for June 17, 2009 to consider adopting a resolution adjusting wastewater rates.

BACKGROUND INFORMATION: The Wastewater enterprise fund is operating at a deficit. The existing rate structure no longer covers the cost of operating the utility. Therefore, it is recommended that wastewater rates be increased to provide a positive cash balance, revenue earmarks be eliminated to make revenue correspond with need, and the Engineering News Record (ENR) Index replace the Consumer Price Index (CPI) when determining annual cost adjustments. Otherwise, all sub-funds within the enterprise will be drained by 2011.

The fund's deficit is due to several factors:

- 1) Annual operating costs increase faster than the indexed rate of inflation;
- 2) The decline of new development has decreased the amount of revenue required to pay towards the principle and interest of Wastewater Improvement bonds, which were used to **expand/upgrade** the White Slough Water Pollution Control Facility and to cover a \$7.5 million emergency repair of the wastewater transmission main in 2008;
- 3) Annual revenue has been overestimated annually by approximately \$1.5 million since 2004;
- 4) One of the accounts from which debt service is paid was not backfilled with any revenue from 1991 to 2004. It needs to be replenished.

To reverse the ongoing operational deficit, the following course of action is proposed:

- 1) Adjust base rates pursuant to the following schedule: 25-percent increase effective July 1, 2009, for FY 2009/10; 20-percent increase for FY 2010/11; 10-percent increase for FY 2011/12; and 5-percent increase for FY 2012/13.
- 2) Adjust rates for inflation using the ENR Index instead of the CPI.
- 3) Budget and execute a \$2 million infrastructure project biannually, but eliminate the infrastructure line item on utility bills.

This is not a recommendation the Public Works Department takes lightly. Therefore, the department plans an outreach campaign that **will** help residents understand the regulatory environment and other issues that result in the recommendation for a rate increase. Not only will additional information be

APPROVED:


Blair King, City Manager

placed on the City's ~~website~~, the Public Works Department will hold a public workshop in the weeks before the hearing so the community can discuss this issue one-on-one with staff.

In addition, it is proposed that the City Council at the public hearing:

- 1) Backfill the \$3,955,688 in the Wastewater Capital Reserve Fund to account for the 13 years that expenditures were made without being restored with revenue from any source;
- 2) Support the future plant operations plan that anticipates several new positions to deal with the increasingly complex nature of operating a modern, 8.5-million-gallon-per-day treatment plant. This includes a Compliance Engineer, Plant Equipment Mechanic, Environmental Compliance Inspector, additional Plant Operators, and a variety of position reclassifications needed for the City to comply with the requirements of its state-issued discharge permit.

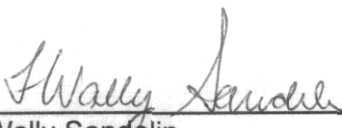
Lodi's Wastewater system consists of 186.5 miles of wastewater mains, seven pump stations and the White Slough Water Pollution Control Facility. Many wastewater plants constructed in the 1960s and 1970s, such as the White Slough facility, were built with federal funds through programs designed to reduce water pollution. The state Legislature in 2000 forced the State Water Board to pass regulations to prevent the discharge of pollutants into ground and surface water, but unlike previous decades, federal funding has not been widespread to accomplish this goal.

Meanwhile, Lodi has faced increasingly strict standards in the past decade. Now, not only is wastewater clarified (primary treatment) and aerated and further clarified (secondary treatment), it is filtered and disinfected using ultraviolet light (tertiary treatment). In January 2005, Lodi's plant became the first city in San Joaquin County to reach tertiary stage treatment. The City's most recent discharge permit, issued in 2007, imposed stricter requirements on the plant. Even then, that has not stopped a local environmental group from trying to force the state to require Lodi to make even more costly upgrades.

The need to raise wastewater rates is not unique to Lodi. Neither are the proposed rates. Some cities charge **less**, others more. Staff will provide additional information to the public at the workshop and at the public hearing.

FISCAL IMPACT: Increased revenues to the wastewater utility which is required to keep up with cost of service increases and mandated costs.

FUNDING AVAILABLE: Not applicable



Wally Sandelin
Public Works Director

FWS/pmf
cc: Steve Mann, Information Services Manager
Charlie Swimley, Water Services Manager

The City of Lodi
**Public Works
Water Services**



Status Report
Wastewater

April 15, 2009



Recommended Action

- Set Public Hearing for June 17, 2009
- Issue Public Notification Pursuant to Proposition 218
- Conduct Public Workshop

Background



- Annual operating costs increasing faster than indexing factors
- Slowdown in new development has decreased the amount of revenue for debt service
- Changed regulatory environment – new regulations & strict enforcement
- Old debt from 1991 - 2004



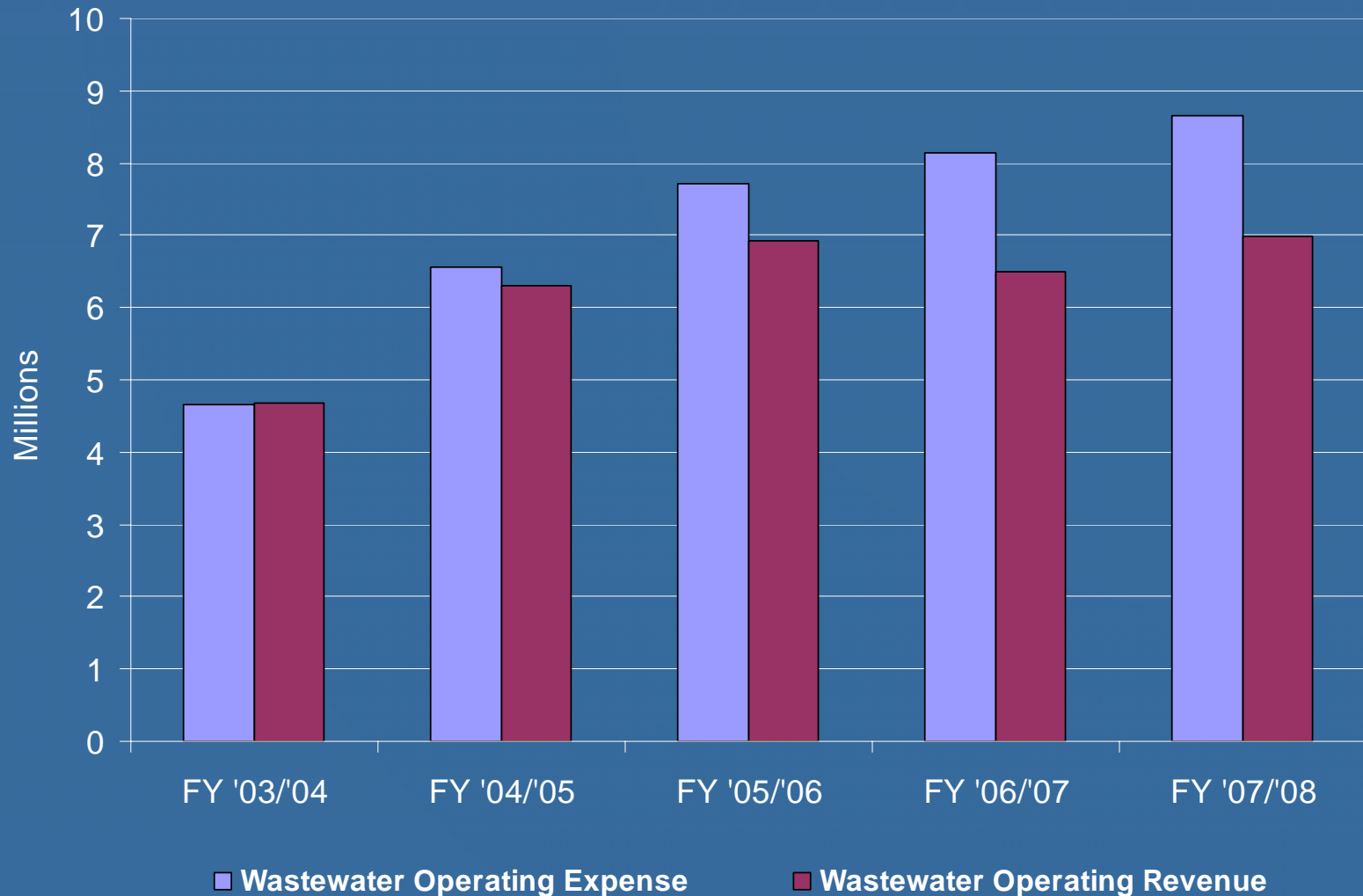
Wastewater Funds Overview

(Estimated June 30, 2009)

1. Operations Fund (170)	(\$10,239,142)
2. Utility Capital (171)	\$17,077,554
3. Capital Reserve Fund (172)	(\$ 3,955,688)
Subtotal	\$ 2,842,742
➤ White Slough COP Proceeds	\$ 4,625,945
➤ Impact Mitigation Fees (173)	\$ 246,766



Operating Costs Increasing Faster than Indexing Factors

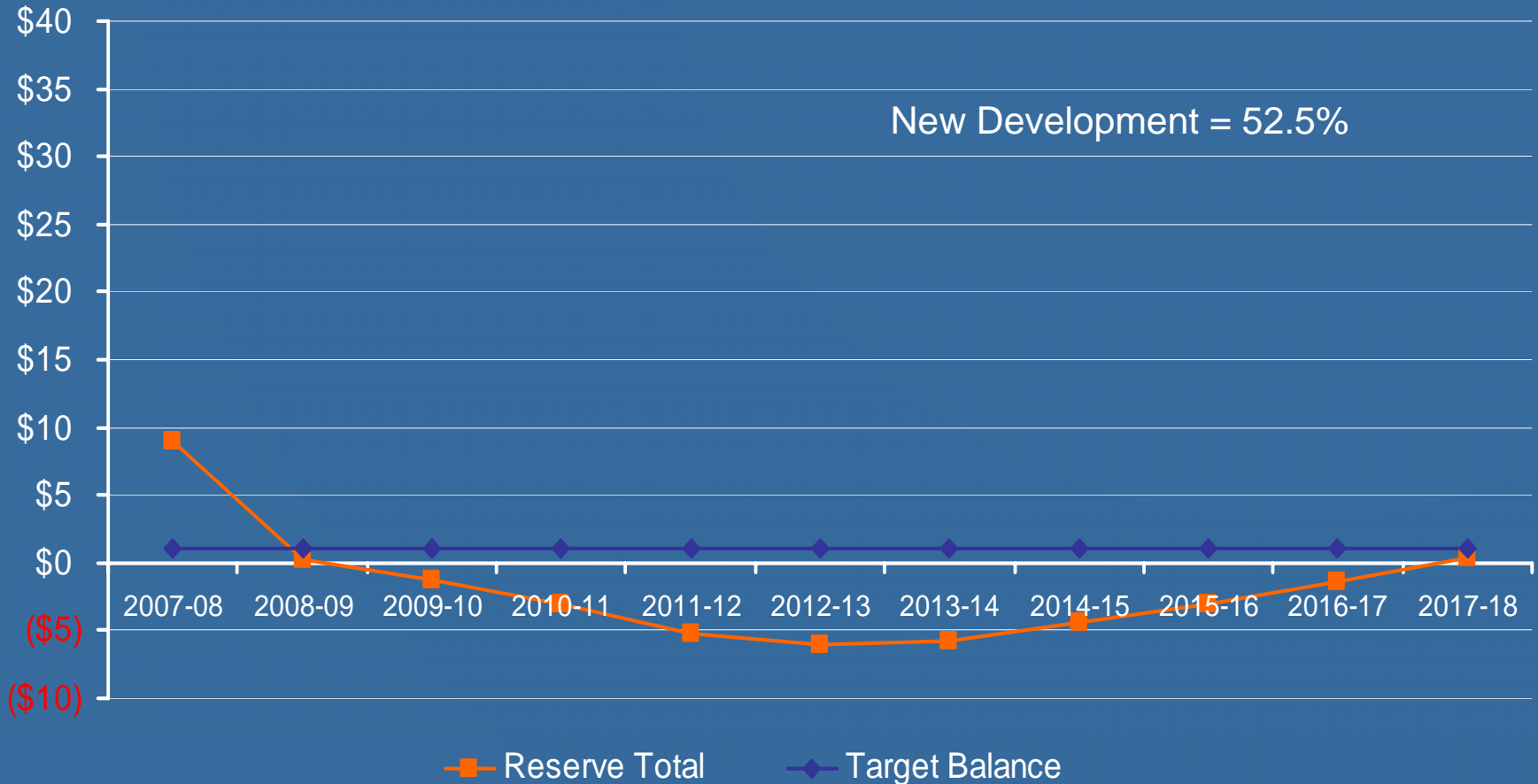




Slowdown in New Development

Year-Ending Reserve Balance - Impact Fund (173)

New Development = 52.5%





Regulatory Environment

- Tertiary Treatment
- Groundwater Protection
- Surface Water Protection
- Salinity
- Odor and Nuisance Control
- Third Party Litigation



Ten Year Proposed Expenditure Plan

Current Rates Plus Rate Adjustments

- \$10 Million Infrastructure Replacement Program
 - 70,000 feet of rehabilitated mains
- \$4.6 Million White Slough Improvements
- Fix Operation Deficit In 5 years - **\$10,239,142**
- Pay Pre-2004 Debt In 4 years - **\$3,955,688**
- Future Development Debt Service - **\$6,048.044**
- Support future plant operations plan
- Create 25% Operating Reserve - \$1,800,000



Rate Adjustments

25% FY 08/09

20% FY 09/10

10% FY 10/11

5% FY 11/12

0% FY 12/13



Monthly Rate Effective July 1

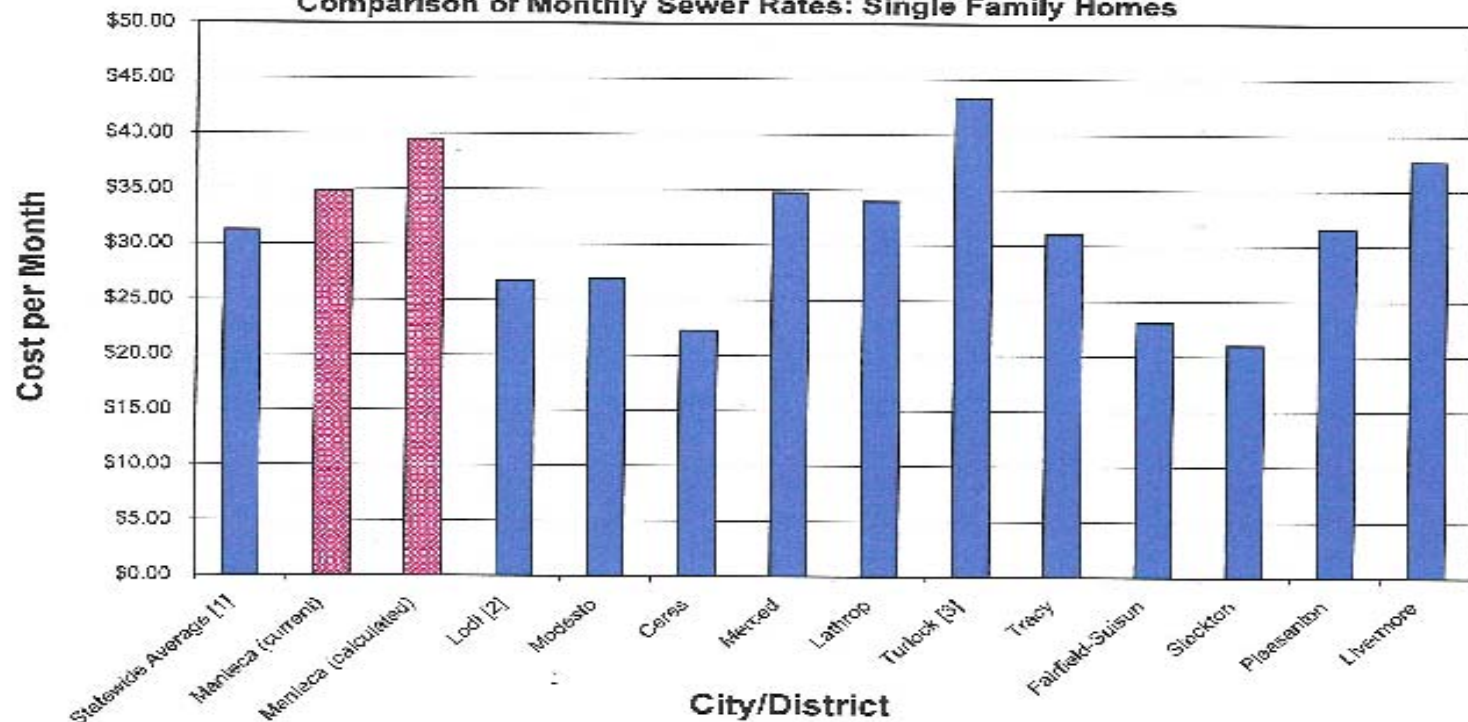
3 Bedroom Home

	Current	2009	2010	2011	2012
Base	\$19.73	\$34.68	\$41.61	\$45.77	\$48.06
Infrastruct. Replace.	8.01	n/a	n/a	n/a	n/a
Total	\$27.74	\$34.68	\$41.61	\$45.77	\$48.06
Increase		\$6.94	\$6.94	\$4.16	\$2.29
Percent		25%	20%	10%	0%



Rate Comparisons

Figure 2
Comparison of Monthly Sewer Rates: Single Family Homes



[1] Wastewater User Charge Survey Report: 2007-08, CA State Water Resources Control Board.

[2] Rates are based on number of bedrooms. Rate shown is for a 3 bedroom home.

[3] Rate is based on fixture. Rate shown assumes 25-30 fixtures.



Questions?



MEMORANDUM

From *Blair Kina*, City Manager

K-4
City of Lodi – City Hall
221 W. Pine Street
Phone: (209) 333-6700
Fax: (209) 333-6807
Fax: (209) 333-6807

TO: Mayor and Council Members

DATE: April 15, 2009

SUBJECT: Increased Costs of Wastewater Regulation – Lodi is not Alone

This memorandum *is* intended to give the City Council a sense of the regulatory environment that is causing a number of California cities to raise wastewater rates.

The Regional Water Board executive officer called 2008 “a banner year for enforcement” in his February report. The Board issued more than 600 formal enforcement actions, including 106 Administrative Civil Liability complaints and orders for more than \$18.6 million. At the April 23-24 Regional Water Board meeting, fines totaling \$168,000 will be considered against the communities of Tracy, Stockton and Mountain House, as well as other fines against other wastewater plant operators in the region. A slowing economy has not caused the regulatory agencies to back away from enforcement efforts.

Residents in many nearby cities already pay more than Lodi and their rates are heading higher in order to bring their plants into compliance with new discharge requirements. Existing rate structures are not sufficient to pay the costs associated with meeting more stringent environmental regulations.

According to Placer District 3 Supervisor Jim Homes, sewage treatment plant costs have increased threefold over the last 10 to 15 years due to more stringent regulations, inflation and rising construction costs

California agencies’ calendars are full of public hearings regarding wastewater rates. Here’s a snapshot of issues in other cities in our area:

- **Galt:** On April 7, the Galt City Council approved a **4.1** percent rate increase. Single-family residents now pay **\$51.87** a month for wastewater service. Additionally, Galt’s Public Works staff recommends removing the \$25 wastewater treatment plant upgrade line item and eliminating segregated accounts **so** that the utility can use all available revenue to meet needs for operations, maintenance and capital improvements.

- **Rio Vista:** This city, which operates two treatment plants, is facing rapidly escalating costs. An engineering study released March 30 recommends that residents served by a newer plant have their rates increase from \$27.67 to **\$51.60** on July 1, while other residents facing a **\$77.36** monthly rate on July 1 eventually pay **\$110.92** a month in 2013.
- **Lathrop:** On March 3, the Lathrop City Council approved roughly 50 percent in wastewater rate hikes over a three-year period. The current monthly rate of \$34 is scheduled to increase steadily to **\$52** in January 2011.
- **Manteca:** Fined \$463,000 by the Regional Board in September 2005. Now charging **\$39.50** per month for single-family residents, increasing to **\$51.25** in January 2013.
- **Placer County:** Residents in North Auburn currently pay **\$67.84** a month, with the rate going up to \$82 on May 12. Other communities served by Placer County's Public Works Department are facing rate increases that, within a few years, will push their monthly sewer bills in excess of \$100.
- **Across the State:** Marin County Sewage Agency paid \$1.6 million in fines for spilling sewage into Richardson Bay. Rohnert Park raised rates to \$59.30 per month for average residential units. Santa Rosa's rates are \$66.55 per month. Wastewater rates in excess of \$40 per month appear to be the standard throughout the state.



*Please confirm receipt
of this fax by calling 333-6702*

CITY OF LODI
P.O. BOX 3006
LODI, CALIFORNIA 95241-1910

ADVERTISING INSTRUCTIONS

**SUBJECT: PUBLIC HEARING TO CONSIDER RESOLUTION ADJUSTING
WASTEWATER RATES**

**PUBLISH DATE: SATURDAY, MAY 16, 2009
SATURDAY, JUNE 20, 2009**

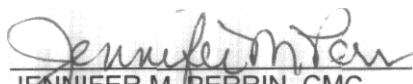
LEGAL AD

TEAR SHEETS WANTED: One (1) please

SEND AFFIDAVIT AND BILL TO: RANDI JOHL, CITY CLERK
City of Lodi
P.O. Box 3006
Lodi, CA 95241-1910

DATED: MAY 11, 2009

ORDERED BY RANDI JOHL
CITY CLERK


JENNIFER M. PERRIN, CMC
ASSISTANT CITY CLERK

MARIA BECERRA
ADMINISTRATIVE CLERK

Verify Appearance of this Legal in the Newspaper – Copy to File

Faxed to the Sentinel at 369-1084 at _____ (time) on _____ (date) _____ (pages)
LNS Phoned to confirm receipt of all pages at _____ (time) JLT MB MP (initials)



DECLARATION OF POSTING

PUBLIC HEARING TO CONSIDER RESOLUTION ADJUSTING WASTEWATER RATES

On Friday, May 15 2009, in the City of Lodi, San Joaquin County, California, a Notice of Public Hearing to consider resolution adjusting wastewater rates (attached and marked as Exhibit A) was posted at the following locations:

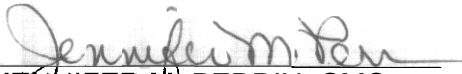
Lodi Public Library
Lodi City Clerk's Office
Lodi City Hall Lobby
Lodi Carnegie Forum

I declare under penalty of perjury that the foregoing is true and correct.

Executed on May 15, 2009, at Lodi, California.

ORDERED **BY:**

RANDI JOHL
CITY CLERK


JENNIFER M. PERRIN, CMC
ASSISTANT CITY CLERK

MARIA BECERRA
ADMINISTRATIVE CLERK



CITY OF LODI

Carnegie Forum
305 West Pine Street, Lodi

NOTICE OF PUBLIC HEARING

Date: July 15, 2009

Time: 7:00 p.m.

For information regarding this notice please contact:

Randi Johl

City Clerk

Telephone: (209) 333-6702

EXHIBIT A

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that on **Wednesday, July 15, 2009**, at the hour of 7:00 p.m., or as soon thereafter as the matter may be heard, the City Council will conduct a public hearing at the Carnegie Forum, 305 West Pine Street, Lodi, to consider the following matter:


- a) **Resolution adjusting wastewater rates (as identified on the attached Exhibit A).**

Information regarding this item may be obtained in the Public Works Department, 221 West Pine Street, Lodi, (209) 333-6706. All interested persons are invited to present their views and comments on this matter. Written statements may be filed with the City Clerk, City Hall, 221 W. Pine Street, 2nd Floor, Lodi. 95240, at any time prior to the hearing scheduled herein, and oral statements may be made at said hearing.

If you challenge the subject matter in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice or in written correspondence delivered to the City Clerk at, or prior to, the public hearing.

At said hearing, any person interested, including any person owning property in the City, may be heard as to whether said charges are discriminatory or excessive, or will not be sufficient under Government Code Section 54515, or will not comply with the provisions or covenants of any outstanding revenue bonds of the City payable from the revenues of the respective enterprise, or will not comply with the provisions of Title 5, Division 2, Part 1, Chapter 6 "The Revenue Bond Law" of the Government Code, or an any other matter related to the proposed charges or their method of adoption.

By Order of the Lodi City Council:


Randi Johl
City Clerk

Dated: April 15, 2009

Approved as to form:


D. Stephen Schwabauer
City Attorney

RESOLUTION NO. 2009-____

A RESOLUTION OF THE LODI CITY COUNCIL ADJUSTING
WASTEWATER DISPOSAL SERVICE RATES

=====

WHEREAS, the Council of the City of Lodi finds as follows:

1. The City of Lodi provides wastewater disposal service to its citizens;
2. The City charges customers of this utility a charge to fund the on-going operation and maintenance of the wastewater disposal service;
3. The City Public Works Director and staff have prepared a plan outlining the cost of operating the wastewater disposal service;
4. The Wastewater Enterprise Fund is operating at a deficit and the existing rate structure no longer covers the cost of operating the utility;
5. The City Public Works Director has recommended increases to the current wastewater disposal rates;
6. The City Public Works Director also recommends that the revenue earmarks be eliminated to make revenue correspond with need and that the Engineering News Record (ENR) Index replace the Consumer Price Index (CPI) when determining annual cost adjustments;
7. The Council directed that notice of a hearing thereon be given to the property owners and wastewater disposal utility customers in the City, with such notice to include, among other matters, the information required to be included pursuant to California law;
8. Pursuant to California Constitution, Article XIII C and Government Code 53755, such notice has been mailed to those property owners and account holders, at least 45 days before the hearing, as evidenced by a Certificate of Mailing on file with the City Clerk;
9. The Council also directed that notice of a hearing thereon be given with such notice to include the information required to be included pursuant to Government Code section 54354.5;
10. Such notice has been published once each week for two weeks, in accordance with Government Code section 54354.5, in the Lodi News-Sentinel as evidenced by Proofs of Publication on file with the City Clerk;
11. On July 15, 2009, the City Council conducted said public hearing, at which time the City Council heard all objections and protests to the proposed increased rates;
12. Written protests against the proposed increased rates were not presented by a majority of the property owners and wastewater disposal utility customers; and

13. The proposed wastewater disposal service rates are not discriminatory or excessive, are sufficient under Government Code section 54515, comply with the provisions or covenants of any outstanding revenue bonds of the City payable from the revenues of the enterprise, comply with the provisions of Title 5, Division 2, Chapter 6 of the Government Code, and are in compliance with all other applicable law.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lodi as follows:

Section 1. Recitals. The foregoing recitals are true and correct.

Section 2. Levy of Charaes. Pursuant to Sections 13.08.010, 13.12.240, and 13.16.110 of the Lodi Municipal Code, the increased wastewater disposal service rates as attached hereto as Exhibit A are hereby approved.

Section 3. Subsequent Adjustments. As provided by Government Code Section 53756, the rates shown in Exhibit A may be adjusted annually for a period of five years by resolution beginning July of 2010 through July of 2015, with Council approval following a public hearing, in an amount not to exceed the percentage change in the Engineering News Record (ENR) Twenty Cities Annual Average Index or other index as approved by the City Council by resolution. The adjustment shall not be made if it causes rates to exceed the cost of service and Notice of the Adjustment shall be mailed to each account not less than 30 days before the effective date of the adjustment.

Section 4. Effective Date. This resolution shall take effect from and after the date of its passage.

Dated: July 15, 2009

=====

I hereby certify that Resolution No. 2009-_____ was passed and adopted by the City Council of the City of Lodi in a regular meeting held July 15, 2009, by the following vote:

AYES: COUNCIL MEMBERS –

NOES: COUNCIL MEMBERS –

ABSENT: COUNCIL MEMBERS –

ABSTAIN: COUNCIL MEMBERS –

RANDI JOHL
City Clerk

EXHIBIT A

	Current Rates			Rates Effective 07/16/2009	Rates Effective 07/16/2010	Rates Effective 07/16/2011	Rates Effective 07/16/2012
	Base	Infr.	Monthly Total	Monthly Total	Monthly Total	Monthly Total	Monthly Total
Residential							
1 BR	\$11.84	\$4.81	\$16.65	\$20.81	\$24.97	\$27.47	\$28.84
2 BR	15.78	6.41	22.19	27.74	33.29	36.62	38.45
3 BR	19.73	8.01	27.74	34.68	41.61	45.76	46.06
4 BR	23.67	9.62	33.29	41.61	49.94	54.93	57.66
5 BR	27.62	11.22	38.84	48.55	56.26	64.09	67.29
6 BR	31.56	12.82	44.38	55.48	66.58	73.24	76.90
7 BR	35.51	14.42	49.93	62.42	74.90	82.40	86.51
Moderate Strength (annual per SSU)	\$266.28			5332.88	399.46	439.44	461.40
High Strength User:							
Flow (per MG. annual basis)	2,247.10			2,808.88	3,370.66	3,707.73	3,893.12
BOD (per 1,000lbs., annual basis)	370.83			463.54	556.25	611.88	642.47
SS (per 1,000lb., annual basis)	231.86			289.83	347.60	382.58	401.71
Grease Inceptor & Septic Holding Tank Waste within City Limits (per 1,000gal.)	196.35			245.44	294.53	323.98	340.16
Septic (only) Holding Tank Waste Outside City limits (per 1,000 gal.)	416.82			521.03	625.24	687.76	722.15
Disposal to Storm Drain System (per MG)	206.24			257.80	309.36	340.30	357.32
Disposal to industrial System:				n/a rates adjusted	n/a rates adjusted	n/a rates adjusted	n/a rates adjusted
Flow (per MG. annual basis)	2,218.78			annually per	annually per	annually per	annually per
BOD (per 1,000lbs., annual basis)	20.34			LMC § 13.12.210	LMC § 13.12.210	LMC § 13.12.210	LMC § 13.12.210
Winery Waste (per 1,000 gal.)	198.82			248.53	298.24	328.06	344.46